GOVERNMENT OF INDIA
MINISTRY OF COMMERCE AND INDUSTRY

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REPORT

OF THE

TARIFF COMMISSION

ON THE
CONTINUANCE OF PROTECTION TO THE

HYDROQUINONE INDUSTRY

BOMBAY
1953

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CONTENTS

Para. Page

1. Origin of the case. 1
2. Method of inquiry 2
3. Scope of the inquiry. 3
4. Present position of the industry. 3
5. Domestic demand 4
6. Domestic production 6
7. Raw materials 6
8. Quality of indigenous hydroquinone. 9
9. Imports and import control policy 10
10. Existing rates of duty. 11
11. Commission's estimate of the cost of production and fair ex-works price. 12
12. C.i.f. prices and landed costs. 14
13. Measure of protection 14
14. Other assistance. 16
15. Summary of conclusions and recommendations. . . . 17
16. Acknowledgements. 18

APPENDICES

I. List of persons or bodies to whom the Commission's questionnaires were issued and from whom replies or memoranda were received 19

II. List of persons who attended the Commission's public inquiry on Friday, 15th May, 1953 and gave evidence. 21

III. Statement showing the break-down of the landed costs of hydroquinie into c.i.f., customs duty and clearing charges. 22

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GOVERNMENT OF INDIA
MINISTRY OF COMMERCE AND INDUSTRY

NOTIFICATION
(Tariffs)

New Delhi, the 15th August, 1953.

No.8(3)-T.B./53.- In exercise of the powers conferred by sub-Section (1) of Section 4 of the Indian Tariff Act, 1934 (XXXII of 1934), the Central Government hereby increases the duties shown in the fourth column against Item No.28(32) of the First Schedule to the said Act from 26 per cent. *ad valorem* and 36 per cent. *ad valorem* to 50 per cent. *ad valorem* and 60 per cent. *ad valorem*, respectively, with effect from the 15th August, 1953.

L. K. JHA,
Joint Secretary to the Government of India.

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GOVERNMENT OF INDIA
MINISTRY OF COMMERCE AND INDUSTRY

RESOLUTION
(Tariffs)

New Delhi, the 15th August, 1953.

No.8(3)-T.B./53.- The Tariff Commission has submitted its Report on the continuance of protection to the Hydroquinone Industry on the basis of an enquiry undertaken under Sections 13 and 15 of the Tariff Commission Act, 1951. Its recommendations are as follows:-

(i) The preferential rate of duty on hydroquinone imported from the United Kingdom should be increased from 27.8 per cent. to 50 per cent. *ad valorem* and the standard rate of duty should be fixed in accordance with the terms of the India-U.K. Trade Agreement. The enhanced rates of protective duty should remain in force up to 31st December, 1955. They should, however, be subject to review, upon application by the industry, if at any time during the period of protection, the c.i.f. prices of hydroquinone fall so low as to jeopardise the position of the industry.

(ii) The cost of production of sulphuric acid in India should be examined and, if necessary, suitable action should be taken under the Industries (Development and Regulation) Act to maintain the prices of this essential material at a reasonable level.

(iii) The Sindri Fertiliser Factory and the Ordnance Factories should jointly examine the possibility of manufacturing synthetic nitric acid, nitro-benzene and aniline.

2. Government accept the recommendation of the Tariff Commission regarding the rate of protective duty and will take suitable steps to help this industry in regard to the raw materials mentioned in (ii) and (iii) of the preceding paragraph.

L. K. JHA,
Joint Secretary to the Government of India.

REPORT ON THE CONTINUANCE OF PROTECTION TO THE HYDROQUINONE INDUSTRY

Origin of the case.

1. (a) The claim of the hydroquinone industry to protection or assistance was examined by the Tariff Board in its Report dated 15th May, 1951. The following were the principal recommendations made in that Report:-

(1) The then existing revenue duties of 27.3 per cent., preferential, and 37.8 per cent., standard, should be converted into protective duties at the same rates;

(2) The protective duties should remain in force for a period of two years and the position should then be reviewed;

(3) The industry should make all possible efforts to expedite the production of aniline in order to make itself independent of imports in respect of this essential material.

The Government of India in the Ministry of Commerce and Industry, by their Resolution No.8(4)-T.B./51 dated 28th July, 1951, accepted these recommendations. The revenue duties on hydroquinone were converted into protective duties for the period up to 31st December, 1953, by the Indian Tariff (Amendment) Act, 1952.

(b) In February, 1952, Kesar Sugar Works, Bombay, represented to the Government of India that their sales of hydroquinone had been adversely affected by the excessive imports of low priced hydroquinone which had come into the country and that they were consequently compelled to close down their plant from 7th February, 1952. The firm requested Government to impose a complete ban on imports of hydroquinone and also to revise the estimate of domestic demand and the rates of protective duties. Similar representations were received from Sarabhai Chemicals, Baroda and Indian Chemical Manufacturers' Association, Calcutta. The question was referred by Government to the Tariff Commission which, after examination, came to the conclusion that the difficulties of the industry were mainly due to the large imports of hydroquinone from the U.S.A. Since, however, these imports had already arrived and no further imports were likely to be licensed from the U.S.A., the Commission felt that an increase in the protective duty would be of little benefit to the industry. The Commission advised Government accordingly in its letter dated 15th September, 1952.

(c) The protection granted to the hydroquinone industry is due to expire on 31st December, 1953. The present inquiry has, therefore, been undertaken under Sections 13 and 15 of the Tariff Commission Act under which the Commission has been empowered to inquire into and report on any further action required in relation to the protection granted to an industry, with a view to its increase, decrease, modification or abolition, according to the circumstances of the case.

Method of inquiry.

2. On 5th March, 1953, the Commission issued a press communique inviting persons, firms or associations interested in the hydroquinone industry to obtain copies of the Commission's questionnaires from its Office and to send replies thereto. Simultaneously, questionnaires were issued to all known producers, importers and consumers. The Industrial Adviser (Chemicals), Ministry of Commerce and Industry, Government of India, and the Director of Industries, Government of Bombay, were addressed for information on various points arising out of this inquiry. The Director, Indian Standards Institution, was requested to send the details of the standard specifications for hydroquinone evolved by the Institution. Information regarding the c.i.f. prices and landed costs of imported hydroquinone was obtained from the Collectors of Customs. A list of those to whom the Commission's questionnaires were issued and from whom replies or memoranda were received is given in Appendix I. Shri B.N. Adarkar and Shri C. Ramasubban, Members, visited the factory of Satyadev Chemicals, Baroda, on 13th May, 1953. Shri S.S. Mehta, Technical Adviser, and

Shri S.V. Rajan, Assistant Cost Accounts Officer, visited the same factory on 12th and 13th May, 1953. A public inquiry into this industry was held at the Commission's Office in Bombay on 15th May, 1953. A list of persons who attended the inquiry and gave evidence will be found in Appendix II.

Scope of the inquiry.

3. The scope of the inquiry includes hydroquinone of both photographic and technical grades. Although the technical grade is not yet produced in the country and is also not imported to any significant extent, a differentiation of customs duty between the two grades is likely to cause difficulties in customs administration.

Present position of the industry.

4. At the time of the previous inquiry held in 1951, Kesar Sugar Works were the only unit engaged in manufacturing hydroquinone in the country. This firm produced 7,461 lbs. in 1950 and 18,874 lbs. in 1951. The annual rated capacity of this firm is 33,000 lbs., of which 57 per cent. was utilised in 1951. During the import licensing period, July-December, 1951, licences for hydroquinone which were previously issued to established importers for imports from soft currency sources to the extent of 70 per cent. of one half of their best year's imports were doubled in value and since adequate supplies were not available from soft currency sources, the licences were validated for imports from the dollar and other hard currency areas. This resulted in large imports of low priced hydroquinone from the United States, and Kesar Sugar Works were consequently unable to find a market for their product from the beginning of 1952. From 7th February, 1952, therefore, they suspended production, their total output in 1952 amounting to only 1,325 lbs. In the current year, this firm has resumed production on a small scale and produced about 1,000 lbs. up to March, 1953. A new unit, called Satyadev Chemicals Ltd., Baroda, came into production just at the time when Kesar Sugar Works were finding it difficult to sell their product. Satyadev Chemicals increased their rated capacity from 10,000 lbs. in 1951 to

15,000 lbs. in August, 1952, and produced 771 lbs. in 1951, 9,402 lbs. in 1952 and 3,262 lbs. in the first quarter of 1953. This firm was able to increase its production to 63 per cent. of its capacity in 1952 and is confident of utilising its full capacity of 15,000 lbs. in the current year. At a time when ample supplies of imported hydroquinone were available in the market, the hydroquinone produced by this firm was sold without difficulty, particularly in the Madras area. The success of this firm was largely due to the quality of its product and the excellent co-operation it has received from the Allied Photographics, Ltd., its chief distributors. Satyadev Chemicals have plans to expand their production by setting up a new plant with a daily capacity of 200 lbs. The plant is expected to be ready for operation by November, 1953. The firm proposes to operate the new plant at half its capacity until there is sufficient demand in the country or it becomes possible to develop an export market. In addition to the two units mentioned above, Associated Rubber and Chemical Industries, Poona, have also produced hydroquinone on an experimental basis and have expressed their readiness to go into commercial production if the industry received adequate protection. They claim to have a capacity of "50 lbs. per shift", but their actual production so far is only 300 lbs. The total rated capacity in the industry, excluding Associated Rubber and Chemical Industries, is 48,000 lbs. and this is likely to increase to 63,000 lbs. in 1954 and 78,000 to 93,000 lbs. in 1955. The value of fixed capital employed in the industry is a little over Rs. 1½ lakhs and the number of workers employed is only 23.

Domestic demand.

5. At the previous inquiry, the Tariff Board estimated the annual domestic demand for hydroquinone at 58,000 lbs. or 26 tons. In the absence of statistics of past imports, this estimate was based on the information then available regarding the quantities of hydroquinone required for processing different types of

cinematographic films and on an assumed ratio between the consumption of film processing laboratories and the photographic trade. Subsequently, Kesar Sugar Works represented that the Board's estimate was on the high side and suggested its revision. On the present occasion, we have received estimates of domestic demand, ranging from 15 to 35 tons. As, however, these estimates are based on widely divergent assumptions, and it has also not been possible to obtain consistent data regarding the quantities used for processing different types of cinematographic films, we consider that a more reliable estimate of demand could be obtained by taking into account statistics of past imports, which are now available, together with those of sales of indigenous hydroquinone. Imports of hydroquinone into India amounted to 11,200 lbs. during the latter half of 1951 and 42,372 lbs. during 1952, giving a monthly average of about 3,000 lbs. Sales of indigenous hydroquinone amounted to 18,560 lbs. in 1951 and 6,740 lbs. in 1952, the monthly average being 1,054 lbs. The sum total of imports of foreign hydroquinone and sales of indigenous hydroquinone in recent months, therefore, was of the order of 4,054 lbs. per month or 48,650 lbs. *i.e.*, approximately 22 tons per year. Since stocks of imported hydroquinone were heavily depleted in 1951, while the market was overstocked in 1952, it is necessary to make some allowance for the large stocks carried over from the latter year. An allowance of roughly 9 to 10 per cent. would be reasonable for this factor. On this basis, the domestic demand for hydroquinone may be estimated at 20 tons or 45,000 lbs. per annum. This estimate was discussed at the public inquiry and was found generally acceptable. It was also agreed that the demand was likely to increase to about 22 tons or 49,000 lbs. during the next three years.

Domestic production.

6. The following statement shows the rated capacity of Kesar Sugar Works and Satyadev Chemicals and their actual production.

	Rated capacity (in lbs.)	Actual production in lbs.			
		1950	1951	1952	1953 (up to March)
Kesar Sugar Works, Ltd., Bombay.	33,000	7,461	18,874	1,325	1,000
Satyadev Chemicals, Ltd., Baroda.	15,000	-	771	9,402	3,262
TOTAL	48,000	7,461	19,645	10,727	4,262

The total rated capacity of the two units mentioned above is sufficient to meet the entire domestic demand. Kesar Sugar Works were in production up to 7th February, 1952 on which date they suspended production. During the current year, their plant has been working intermittently and has produced about 1,000 lbs. Satyadev Chemicals came into production in July, 1951. In addition to these two units, Associated Rubber and Chemical Industries, Poona, who claim to have a capacity of "50 lbs. per shift", have so far produced only 300 lbs. on an experimental basis.

Raw materials.

7. (a) The principal raw materials required for the production of hydroquinone are aniline, pyrolusite (manganese dioxide), sulphuric acid and iron powder. Besides, small quantities of chemicals, such as activated carbon, soda ash, disodium phosphate, calcium carbonate, citric acid, oxalic acid, zinc dust, sodium bisulphite and sodium hydrosulphite are also required. Aniline is at present wholly imported, the principal sources of supply being the United Kingdom, Germany and the United States. At the time of the previous inquiry, Kesar Sugar Works were considering the possibility of manufacturing aniline from nitro-benzene available from the Kirkee Ordnance Factory. They have since informed us that they do not consider the project to be a feasible one, since, at the present price of nitro-benzene, the manufacturing cost of

aniline would be much higher than the price at which it is available from abroad. Aniline is required by the textile industry and the Defence Services, as well as by the hydroquinone industry and while the present annual requirements of the latter industry are only of the order of 30 tons, those of the textile industry and the Defence Services are estimated at 1,660 tons. We understand from the Director-General of Ordnance Factories that the Kirkee Factory would be able to supply 22.5 tons of nitro-benzene per month and that the price ex-Kirkee would be Rs. 84 per cwt. The quantity of nitro-benzene available from Kirkee would be sufficient for a production of 16 tons of aniline per month but according to an estimate furnished by the Kesar Sugar Works, the cost of production of aniline would be Rs. 1/6/- to Rs. 1/8/- per lb. as compared with the current import price of Rs. 1/3/- per lb. Satyadev Chemicals, however, have undertaken to study this problem further. The principal reason for the high cost of nitro-benzene and aniline is the cost of nitric acid and we are advised that production of nitro-benzene or aniline may not be economical, until synthetic nitric acid begins to be produced in the country. It may be possible, however, to produce synthetic nitric acid at Sindhri which may also offer a suitable location for nitro-benzene and aniline plants, because of the availability of benzene in the neighbourhood. Since nitro-benzene and aniline are basic chemicals for many industries, including the dyestuffs industry, and the Defence Services are by far the largest consumer of nitro-benzene, we recommend that the Sindhri Fertilizer Factory and the Ordnance Factories should jointly examine the possibility of manufacturing synthetic nitric acid, nitro-benzene and aniline. The starting of such new lines of production may to some extent ease the problem of absorbing surplus personnel in the Ordnance Factories.

(b) The hydroquinone manufacturers have complained of the high cost of sulphuric acid. Kesar Sugar Works are purchasing their acid at Rs. 265 to Rs. 300 per ton in Bombay, while the Baroda factory is paying a price of Rs. 380 per ton. Sulphuric acid is available in the United Kingdom at Rs. 138 per ton, and since 7.5 lbs. of acid are required per lb. of hydroquinone, the extra cost of acid alone makes a difference of Re. 0.81 per lb. in the cost of production of hydroquinone at Baroda, as compared with the United Kingdom. As the current price of sulphur (of which 0.35 ton is required for 1 ton of acid) ranges from Rs. 215 to Rs. 240 per ton, the consensus of opinion at the public inquiry was that the price of sulphuric acid in India is too high in relation to the cost of sulphur. Although the hydroquinone industry is a small consumer of sulphuric acid, this material is of general use in industry and it is, therefore, desirable that its price should be maintained at a reasonable level. We, accordingly, recommend that the cost of production of sulphuric acid in India should be examined and, if necessary, suitable action should be taken, under the Industries (Development and Regulation) Act, to make this essential material available to consuming industries at a reasonable price.

(c) Pyrolusite is available locally and the hydroquinone industry has also begun to use indigenous iron powder in place of the imported material which it was using at the time of the previous inquiry. Satyadev Chemicals are hopeful of being able to reduce the cost of both these materials by processing them in their own factory. Soda ash, calcium carbonate, di-sodium phosphate and sodium bisulphite are available from indigenous sources. The industry is still dependent on imports for the other materials. We understand that it is possible to manufacture activated carbon from indigenous materials and that some quantity was actually manufactured during the war. Activated carbon is required by many other industries, besides hydroquinone. No progress, however, has yet been made in developing large scale production of this material.

Quality of indigenous hydroquinone.

8. The quality of hydroquinone produced by Satyadev Chemicals has been found by both importers and consumers to be equal to that of the imported product. The Indian Standards Institution has now finalised its standard specifications for hydroquinone and the product of Satyadev Chemicals has been found to conform to these specifications. The Development Wing of the Ministry of Commerce and Industry has received no complaint about the hydroquinone produced by this firm. The Allied Photographics, Ltd., who are the principal distributors of Satyadev Chemicals, informed us at the public inquiry that they had had no difficulty in distributing the hydroquinone produced by this firm side by side with the standard product imported from the United Kingdom. Considering that Satyadev Chemicals started production of this chemical as recently as July, 1951, their performance in this respect must be regarded as highly creditable. The only adverse comment we have received about the quality of their hydroquinone is from Kodak whose representative stated at the public inquiry that two samples of this hydroquinone tested at the Kodak London Laboratory showed a slight tendency to produce fog at temperatures up to 70°F and that the tendency increased above this temperature. He explained, however, that this was not a serious defect so far as the processing of black and white films was concerned, but that it made the hydroquinone unsuitable for processing coloured films. We understand that most of the films processed in India are of the black and white type and that the requirements of hydroquinone for processing coloured films are very small. It was, therefore, agreed at the public inquiry that so far as the country's normal requirements were concerned, the hydroquinone produced by Satyadev Chemicals was of satisfactory quality. We understand from Kodak that the photographic test applied by them is a special test of their own and that neither the British nor the Indian Standard specifications provide for this test. Kodak have had occasions to reject supplies from certain British producers

also on the grounds that they failed to satisfy the photographic test. The product of Associated Rubber and Chemicals has also been tested by Kodak and by the Alipore Test House, Calcutta, and found to be of satisfactory quality. At the previous inquiry, there were certain complaints against the hydroquinone produced by Kesar Sugar Works, mainly because of its brownish appearance. Kesar Sugar Works have since perfected their technique and have produced certificates from the Alipore Test House testifying to the quality of their product. Thus, the evidence received by us leaves no doubt that the indigenous hydroquinone has now attained a satisfactory standard of quality.

Imports and import control policy.

9. (a) In accordance with a recommendation made by the Tariff Board in its 1951 Report, the Director-General of Commercial Intelligence and Statistics, Calcutta, has been compiling statistics of imports of hydroquinone into India since July, 1951. The following statement shows imports of hydroquinone by principal countries of origin in the latter half of 1951 and in 1952.

Imports of Hydroquinone into India

(in lbs.)

	July-December, 1951	1952
U.K.	1,680	5,384
U.S.A.	4,144	31,824
France	3,584	5,061
Switzerland	1,680	--
Other countries ...	112	103
Total	11,200	42,372

The principal sources of supply are the United Kingdom, the United States and France. In 1952, for reasons explained earlier, the bulk of the imports came from the United States.

(b) During the licensing period, January-June, 1951, licences for imports from soft currency sources (except

Pakistan and the Union of South Africa) were issued to established importers to the extent of 70 per cent. of one half of their best year's imports. Actual users were granted soft currency licences for their 3 months' requirements. The same policy was continued in the following licensing period, but the licences were doubled in value. Further, the soft currency licences for this period were validated for imports from the dollar and other hard currency areas. During the licensing periods, January-June and July-December, 1952, established importers were granted soft currency licences to the extent of 50 per cent. of one half of their best year's imports. The same policy has been maintained during the current licensing period, January-June, 1953.

Existing rates of duty.

10. Hydroquinone is assessed to duty under item No.28(32) of the first Schedule to the Indian Customs Tariff (Thirty-Seventh issue), the relevant extract from which is reproduced below:-

Item No.	Name of article	Nature of duty	Standard rate of duty	Preferential rate of duty if the article is the produce or manufacture of			Duration of protective rates of duty
				The U.K.	A British colony	Burma	
28(32)	Hydroquinone (a) of British manufacture.	Protective	28 per cent. *ad valorem* plus 5 per cent. of the total duty.			10 % *ad valorem*.	December, 31st, 1953.
	(b) not of British manufacture, provided that hydroquinone manufactured in a British colony shall be deemed to be of British manufacture.	Protective	Preferential rate of duty actually charged for the time being for such products of British manufacture plus ten per cent. *ad valorem* plus 5 per cent. of the total duty.				

Commission's estimate of the cost of production and fair ex-works price.

11. The Assistant Cost Accounts Officer has examined the cost of production of hydroquinone produced by Satyadev Chemicals during the period from 15th April to 31st December, 1952,and has framed an estimate of future cost. During the period mentioned, the firm produced 7,264 lbs. which was equal to about 70 per cent. of its annual capacity of 15,000 lbs. The firm is confident of being able to increase its output to 15,000 lbs. in 1953 and the estimate of future cost is, therefore, based on this output. The firm has already embarked on an expansion project, as a result of which its capacity is expected to increase to 30,000 lbs. in 1954 and 45,000 to 60,000 lbs. in 1955. Since, however, the total domestic demand is only of the order of 45,000 lbs. and this firm will probably have to compete with two other firms, one of which has a capacity of 33,000 lbs., we consider it realistic under present conditions to base the estimate of future cost on an output of 15,000 lbs. only. We have, however, taken due account of all anticipated economies. The estimate of future cost prepared by us on the basis of the data collected by the Assistant Cost Accounts Officer is given below in a summarised form. The detailed Cost Report* is forwarded to Government as a confidential enclosure to this Report.

Statement showing the Commission's estimate of the fair ex-works price of hydroquinone.

	Rs. per lb.
1. Raw materials	4.32
2. Conversion charges	2.27
3. Depreciation	0.54
4. Other overheads	0.53
5. Packing charges	0.10
6. Interest on working capital	0.10
7. Total works cost...	7.86
8. Return on block	0.29
9. Fair ex-works price	8.15

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*Not printed.

The above estimate has been arrived at on the basis explained below:-

(i) *Raw Materials.*- In the case of sulphuric acid, manganese dioxide and iron powder, the quantities used by Satyadev Chemicals per lb. of hydroquinone have been found to be lower than those adopted by the Tariff Board for Kesar Sugar Works at the previous inquiry. Due account has been taken of such further economies as Satyadev Chemicals may reasonably be expected to achieve. The cost of materials has been calculated on the basis of the latest prices available.

(ii) *Labour.*- The present expenditure on labour is considered adequate for the enhanced production of 15,000 lbs.

(iii) *Establishment and works overheads.*- As Satyadev Chemicals are at present producing only one chemical, namely, hydroquinone, the entire burden of their establishment and works overheads is borne by this commodity. As the firm diversifies its production, the incidence of these charges per lb. of hydroquinone will diminish. It is not known, however, when the firm will be able to start production of other chemicals and we have, therefore, made no reduction on this account in the establishment and overhead charges.

(iv) *Depreciation.*- This consists of two elements, (a) depreciation at Income Tax rates on the machinery owned by the firm and (b) the charges paid by the firm for machinery rented from Sarabhai Chemicals.

(v) *Interest on working capital.*- Working capital has been taken as equal to 4 months' cost of production and interest has been allowed thereon at 4½ per cent. per annum.

(vi) *Return on block.*- Return has been allowed at 10 per cent. on the gross value of the block.

(vii) *Fair ex-works price.*- On the above basis, the fair ex-works price of indigenous hydroquinone works out to Rs. 8.15 per lb.

C.i.f. prices and landed costs.

12. The statement in Appendix III gives the c.i.f. prices and landed costs of imported hydroquinone as reported by the Collectors of Customs and the leading importers. The c.i.f. prices of American hydroquinone are generally the lowest, but there are at present no imports from the United States and it does not seem likely that any appreciable quantities will be imported from that source in the near future. Among the soft currency countries hydroquinone is at present available at a lower price from France than from the United Kingdom, but the difference is not sufficient to offset the preference in customs duty in favour of the United Kingdom. We have accordingly decided to take the c.i.f. price of British hydroquinone for purposes of comparison with the fair ex-works price of the indigenous product. The latest c.i.f. price for U.K., which relates to a consignment received by Messrs. Allied Photographics, Limited from Johnson of Hendon in March, 1953, is Rs. 5.33 per lb. The landed cost of hydroquinone on the basis of this price works out as follows:

	Rs. per lb.
C.i.f. price	5.33
Clearing charges..	0.17
Landed cost without duty ...	5.50
Customs duty @ 27.3% *ad valorem*	1.45
Landed cost with duty... ...	6.95

Measure of protection.

13. The fair ex-works price of indigenous hydroquinone as determined by us in paragraph 11 compares as follows with the landed cost, ex-duty, of imported hydroquinone given in paragraph 12.

	Rs. per lb.
(1) Fair ex-works price	8.15
(2) C.i.f. price (U.K.)	5.33
(3) Clearing charges	0.17
(4) Landed cost, ex-duty	5.50
(5) Difference between (1) and (4).	2.65
(6) Difference (5) as a percentage of the c.i.f. price	49.72% or say 50%
(7) Existing rate of duty	27.30%

After a careful examination of the data given in the preceding paragraphs, we are satisfied that it is necessary to continue protection to this industry for a further period. Although Kesar Sugar Works, who were the pioneers in this field, have had to suspend production, mainly because of the competition of low priced hydroquinone from the United States, Satyadev Chemicals have made considerable progress and have already earned a high reputation for the quality of their product. Hydroquinone is the only organic photographic chemical produced in India, and since this is one of the essential photographic chemicals required for defence as well as civilian purposes, it is desirable in the national interest to encourage its production in the country. Moreover, the industry has excellent prospects of development. With the exception of aniline, the main raw materials are available from indigenous sources and the growing film industry provides a ready market for the finished product. The installed capacity in the industry is also sufficient to meet the whole of the domestic demand. It is necessary, therefore, to create conditions in which the industry is able to utilise its capacity to a fuller extent and thus establish itself on a sounder footing. The above comparison of the fair ex-works price of indigenous hydroquinone with the landed cost, ex-duty, of imported hydroquinone shows that the existing protective duty has become inadequate and needs to be enhanced to 50 per cent. *ad valorem* in the case of hydroquinone of British manufacture. We accordingly recommend that the preferential rate of duty applicable to hydroquinone of British manufacture should be enhanced to 50 per cent. *ad valorem* (including surcharge) and that the standard rate of duty should be fixed in accordance with the terms of the India-U.K. Trade Agreement. We do not think that these enhanced rates of duty would place an undue burden on the consuming industries. Considering the high prices which had to be paid for foreign hydroquinone in 1951 when there was a shortage in the exporting countries, the consumers should welcome the development of the local industry and should be prepared to make some temporary sacrifice for the purpose. We recommend that the enhanced rates of duty should remain in force up to 31st December, 1955. They should, however, be subject to review, upon application by the industry, if at any time during the period of protection, the c.i.f. prices of hydroquinone fall so low as to jeopardise the position of the industry.

Other assistance.

14. (i) *Refund of import duty on aniline.*- Satyadev Chemicals have suggested that in order to reduce the cost of production of hydroquinone, the import duty on aniline should be refunded. In paragraph 7 above, we have referred to the desirability of setting up the manufacture of aniline in India, and it is only after that problem has been fully examined that the question of granting any concession in respect of the import duty on aniline can be considered. Moreover, the import duty on aniline which is already low, namely, 12 per cent. *ad valorem*, has been taken into account in calculating the quantum of protection needed by the hydroquinone industry.

(ii) *Ban on imports of hydroquinone.*- Satyadev Chemicals have asked for a complete ban on imports of hydroquinone for a period of 5 years from 1st January, 1954 when their new plant with a capacity of 200 lbs. per day is expected to come into production. Kesar Sugar Works have suggested a strict regulation of imports, while Associated Rubber and Chemical Industries desire an immediate stoppage of imports for a period of at least two years. We wish to point out that import control is maintained for balance of payments reasons and is not intended to serve as a form of protection. In fixing the import quotas for hydroquinone, however, due account is now taken of domestic production and requirements and this should be an adequate safeguard against excessive imports in future. We do not support the request for a complete ban on imports, as this is likely to be harmful to the consuming industries at the present stage. The industry has suggested that in order to make the import restrictions more effective, import licences should be granted in terms of quantity and not of value. We have not been able to consider this suggestion from the administrative angle and would leave it to be examined by the import control authorities. Kodak have requested that since indigenous hydroquinone has not been found suitable for processing coloured films, imports of hydroquinone for this purpose should be allowed. The request is reasonable. The production of coloured films has not yet developed in this country and only small quantities of foreign hydroquinone are likely to be required for this purpose.

Summary of conclusions and recommendations.

15. Our conclusions and recommendations may be summarised as under:-

(1) The domestic demand for hydroquinone is estimated at 45,000 lbs. or approximately 20 tons per annum. The demand is likely to increase to 49,000 lbs. or about 22 tons during the next three years. [Paragraph 5]

(2) The industry has sufficient rated capacity to meet the entire domestic demand. Actual production of hydroquinone, however, amounted to only 7,461 lbs. in 1950, 19,645 lbs. in 1951, 10,727 lbs. in 1952 and 4,262 lbs. in January-March, 1953. [Paragraph 6]

(3) The Sindri Fertiliser Factory and the Ordnance Factories should jointly examine the possibility of manufacturing synthetic nitric acid, nitro-benzene and aniline. [Paragraph 7(a)]

(4) The cost of production of sulphuric acid in India should be examined and, if necessary, suitable action should be taken under the Industries (Development and Regulation) Act to maintain the prices of this essential material at a reasonable level. [Paragraph 7(b)]

(5) The indigenous hydroquinone has now attained a satisfactory standard of quality. [Paragraph 8]

(6) The preferential rate of duty on hydroquinone imported from the United Kingdom should be increased from 27.3 per cent. to 50 per cent. *ad valorem* and the standard rate of duty should be fixed in accordance with the terms of the India-U.K. Trade Agreement. The enhanced rates of protective duty should remain in force up to 31st December, 1955. They should, however, be subject to review, upon application by the industry, if at any time during the period of protection, the c.i.f. prices of hydroquinone fall so low as to jeopardise the position of the industry. [Paragraph 13]

Acknowledgements.

16. We wish to thank the representatives of manufacturers, importers and consumers who supplied us with information and gave evidence before us. We also wish to thank Shri Jogindar Singh, Deputy Development Officer, Ministry of Commerce and Industry, Government of India and Shri V.B. Thosar, Assistant Director of Industries, Government of Bombay, for their assistance in connection with this inquiry.

सत्यमेव जयते

B. V. NARAYANASWAMY,
Member.

B.N. ADARKAR,
Member.

C. RAMASUBBAN,
Member.

D. K. MALHOTRA,
Secretary,

Bombay,
dated the 26th May, 1953.

APPENDIX I

(*Vide* paragraph 2)

List of persons or bodies to whom the Commission's questionnaires were issued and from whom replies or memoranda were received.

(*Those who have replied or sent memoranda.)

A. *PRODUCERS:*

*1. Kesar Sugar Works Ltd.,
Post Box No. 746, 45-47, Apollo Street, Fort, Bombay 1.

*2. Associated Rubber and Chemical Industries,
Jeevan Restaurant Building, Tilak Road, Poona 2.

*3. Satyadev Chemicals Ltd.,
Post Box No. 101, Wadi Wadi, Baroda.

B. *IMPORTERS:*

*1. Allied Photographics Limited,
193, Hornby Road, Bombay.

*2. Kodak, Ltd.,
Hornby Road, Bombay.

*3. May & Baker (India) Ltd.,
Sir P.M. Road, Bombay 1.

*4. Volkart Bros.,
Volkart Building, Graham Road, Ballard Estate, Bombay 1.

*5. Imperial Chemical Industries (India) Ltd.,
P.O. Box 310, Bombay.

*6. International Chemicals,
112, Main Road, Dadar, Bombay 14.

C. *CONSUMERS:*

*1. Famous Cine Laboratories and Studios Ltd.,
Haines Road, Mahalaxmi, Bombay 11.

*2. Indian Motion Picture Producers' Association,
Sandhurst Building, Sandhurst Road, Bombay 4.

*3. Bombay Film Laboratories Ltd.,
149, Portuguese Church Street, Dadar, Bombay 28.

4. New Theatres Ltd.,
172, Dharamtalla Street, Calcutta 13.

*5. Bengal Film Laboratories Ltd.,
27, Chandi Ghose Road, Tollygunge, Calcutta.

C. *CONSUMERS: (Contd.)*

*6. Gemini Studios,
Movieland, Cathedral, Madras 6.

*7. Famous Cine Laboratory,
156, Tardeo Road, Bombay.

*8. National Chemicals, Ltd.,
Mount Road, Madras 2 (Dealers).

9. Madras Cine Laboratory,
Adyar, Madras.

10. Film Centre,
Central Cine Corporation, 68, Tardeo Road, Bombay 7.

*11. Industrial Chemical Company,
Tollygunge, Calcutta (Dealers).

*12. Indian Chemical Company,
15/3, Chowringhee Road, Calcutta.

13. Manik Studios,
Poona No. 2.

14. Photo Central,
Central Camera Co., Hornby Road, Bombay.

*15. Vanguard Studios,
355, Thakurdwar, Bombay 2.

16. Manager,
Ministry of Commerce & Industry Press, New Delhi.

*17. Manager,
Government Photo Zincographic Press, Poona.

*18. Manager,
Times of India Press, Hornby Road, Bombay.

सत्यमेव जयते

APPENDIX II

(*Vide* paragraph 2)

List of persons who attended the Commission's public inquiry on Friday, 15th May, 1953 and gave evidence.

Name of the Representative		*Name of the Firm*
A. *PRODUCERS:*		
1. Shri Satyadev Mayor 2. Shri G.S. Apte	Representing	Satyadev Chemicals Ltd., Baroda.
3. Shri N.G. Madan 4. Shri S.V. Gadkari	"	Kesar Sugar Works Ltd., Bombay.
5. Shri P.M. Bodas 6. Shri S.V. Jathar	"	Associated Rubber and Chemical Industries, Poona.
B. *IMPORTERS:*		
7. Mr. J. Kershaw	"	Kodak Ltd., Bombay.
8. Mr. A.R. Leyden	"	Allied Photographics Ltd., Bombay.
9. Shri S. Narayan	"	Volkart Bros., Bombay.
10. Shri S.S. Sharma	"	May & Baker (India) Ltd., Bombay.
11. Shri Sampat T. Mehta	"	International Chemicals, Bombay.
C. *CONSUMERS:*		
12. Shri I.K. Menon	"	The Indian Motion Picture Producers' Association, Bombay.
13. Shri N.V. Rege 14. Shri R.S. Joshi	"	Bombay Film Laboratories Ltd., Bombay.
15. Shri V.S. Marathe	"	Famous Cine Laboratories & Studios Ltd., Bombay.
16. Shri J.K. Nandi	"	Famous Cine Laboratory, Bombay.
D. *GOVERNMENT OFFICIALS:*		
17. Shri Jogindar Singh	"	Ministry of Commerce & Industry (Development Wing), New Delhi.
18. Shri V.B. Thosar	"	Director of Industries, Bombay.

सत्यमेव जयते

APPENDIX III

(*Vide* paragraph 12)

Statement showing the break-down of the landed costs of hydroquinone into c.i.f., customs duty and clearing charges

Source of information	Date of import	Origin of import	C.i.f. price per lb.	Duty Not of Br. manufacture 37.8%. Of Br. manufacture 27.3%.	Landing & clearing charges	Landed cost
			Rs. As. Ps.	Rs. As. Ps.	Rs. As. Ps.	Rs. As. Ps.
Collector of Customs, Bombay	7- 5-1952	U.S.A.	4-10- 0	1-12- 0	-	-
- do -	2- 8-1952	France	5-10- 0	2- 2- 0	-	7-12- 0
- do -	26- 8-1952	-do-	5- 2- 0	1-15- 0	-	7- 1- 0
- do -	3- 9-1952	-do-	5-10- 0	2- 2- 0	-	7-12- 0
- do -	23-10-1952	-do-	5-10- 0	2- 2- 0	-	7-12- 0
- do -	-do-	-do-	6- 8- 0	2- 7- 4	0- 0- 8	9- 1- 0
- do -	-do-	U.K.	6- 9- 0	1-12- 8	0- 1- 4	8- 7- 0
Collector of Customs, Madras	23- 2-1953	U.K.	5- 6- 0	1- 7- 6	0- 1- 6	6-15- 0
- do -	24- 2-1953	France	6- 7- 6	2- 7- 2	0- 1- 4	9- 0- 0
Collector of Customs, Bombay	25- 2-1953	Germany	5- 2- 0	1-15- 0	0- 1- 0	7- 2- 0
- do -	27- 2-1953	France	5- 0- 0	1-14- 3	0- 2- 9	7- 1- 0
			IMPORTERS			
Kodak Limited, Bombay	21- 1-1952) 24- 4-1952)	U.S.A.	4- 1- 0	1- 8- 7	0- 1- 5	5-11- 0
- do -	8- 8-1952	U.K.	6- 4- 0	1-11- 4	0- 1- 8	8- 1- 0
	8-10-1952	-do-	5-10- 0	1- 8- 7	0- 1- 5	7- 4- 0
Allied Photographics Ltd.	Current (March)	U.K.	5- 5- 8	1- 7- 5	0- 1- 7	7- 7- 8
May & Baker (India) Ltd., Bombay	Feb., 1953	U.K.	6- 7- 4	1-12- 3	0- 2- 9	8- 6- 4
Volkart Brothers, Bombay	26- 8-1952	France	5- 2- 0	1-15- 0	0- 0- 6	7- 1- 6

LIST OF REPORTS OF THE INDIAN TARIFF BOARD

I. TARIFF INQUIRIES

(A) *NEW CASES*

1.	Sodium thiosulphate, sodium sulphite (anhydrous) and sodium bisulphite (1946).	PTB 158
2.	Bichromates (1946).	PTB 157
3.	Phosphates and phosphoric acid (1946).	PTB 156
4.	Butter colour and aerated water powder colour (1946).	PTB 154
5.	Calcium chloride (1946).	PTB 153
6.	Coated abrasives (other than grinding wheels) (1946).	PTB 159
7.	Hurricane lanterns (1946).	PTB 152
8.	Cocoa powder and chocolate (1946).	PTB 155
9.	Wood screws (1946).	PTB 97
10.	Bicycles (1946).	PTB 100
11.	Caustic soda and bleaching powder (1946).	PTB 88
12.	Antimony (1946).	PTB 94
13.	Sewing machines (1946).	PTB 101
14.	Aluminium (1946).	PTB 90
15.	Steel baling hoops (1946).	PTB 87
16.	Preserved fruits (1946).	PTB 145
17.	Non-ferrous metals (1946)	PTB 146
18.	Cotton textile machinery (ring frames, spindles and spinning rings) (1947).	PTB 111
19.	Rubber manufactures (1947).	PTB 110
20.	Sodium and potassium metabisulphites (1947).	PTB 105
21.	Alloy tool and special steel (1947).	PTB 118
22.	Sodium sulphide (1947).	PTB 102
23.	Electric motors (1947).	PTB 112
24.	Dry battery (1947).	PTB 115
25.	Plywood and teachests (1947).	PTB 113
26.	Cotton and hair belting (1947).	PTB 121
27.	Starch (1947).	PTB 103
28.	Glucose (1947).	PTB 104
29.	Chloroform, ether, sulphuric p.b. and anaesthetic and potassium permanganate (1947).	PTB 109
30.	Fire hose (1947).	PTB 120
31.	Steel belt lacing (1947).	PTB 119
32.	Ferro-silicon (1947).	PTB 116
33.	Oleic acid and stearic acid (1947).	PTB 117
34.	Machine tools (1947).	PTB 114
35.	Wire healds (1948).	PTB 123
36.	Pickers (1948).	PTB 125

37.	Motor vehicle batteries (1948).	PTB 122
38.	Hydraulic brake fluid (1948).	PTB 129
39.	Bobbins (1948).	PTB 128
40.	Slate and slate pencils (1949).	PTB 138
41.	Expanded metals (1949).	PTB 150
42.	Cotton textile machinery (ring frames, spindles, spinning rings and plain looms) (1949).	PTB 167
43.	Small tools (1949).	PTB 149
44.	Plastics (1949).	PTB 160
45.	Soda ash (1949).	PTB 165
46.	Glass and glassware (1950).	PTB 174
47.	Sterilised surgical catgut (1950).	PTB 184
48.	Liver extract (1950).	PTB 185
49.	Fountain pen ink (1950).	PTB 183
50.	Pencils (1950).	PTB 187
51.	Fine chemicals (1950).	PTB 182
52.	Sago (1950).	PTB 186
53.	Belt fasteners (1950).	PTB 189

(B) *REVIEW CASES*

(Continuance of Protection)

1.	Iron and steel manufactures (1947).	PTB 106
2.	Paper and paper pulp (1947).	PTB 108
3.	Cotton textile manufactures (1947).	PTB 98
4.	Sugar (1947).	PTB 107
5.	Magnesium chloride (1948).	PTB 124
6.	Silver thread and wire (1948).	PTB 126
7.	Bicycles (1949).	PTB 131
8.	Artificial silk (1949).	PTB 132
9.	Sericulture (1949).	PTB 133
10.	Alloy tool and special steel (1949).	PTB 136
11.	Sodium thiosulphate, sodium sulphite and sodium bisulphite (under section 4(1) of the Tariff Act) (1949).	PTB 140
12.	Calcium chloride (1949).	PTB 148
13.	Grinding wheels (under section 4(1) of the Tariff Act) (1949).	PTB 141
14.	Hurricane lanterns (under section 4(1) of the Tariff Act) (1949).	PTB 144
15.	Sugar (1949).	PTB 134
16.	Preserved fruits (1949).	PTB 143
17.	Coated abrasives (under section 4(1) of the Tariff Act) (1949).	PTB 147
18.	Antimony (1949).	PTB 161
19.	Phosphates and phosphoric acid (1949).	PTB 164

20. Starch (1949).	PTB 163
21. Bichromates (1949).	PTB 168
22. Ferro-silicon (1949).	PTB 169
23. Sewing machines (1949).	PTB 170
•24. Cocoa powder and chocolate (1949).	PTB 172
25. Electric motors (1949).	PTB 166
26. Steel belt lacing (1949).	PTB 171
27. Cotton and hair belting (1949).	PTB 173
28. Calcium chloride (1950).	PTB 175
29. Sugar (1950).	PTB 179
30. Potassium permanganate (1950).	PTB 176
31. Wood screws (1950).	PTB 177
32. Dry battery (1950).	PTB 180
33. Oleic acid and stearic acid (1950)..	PTB 178
34. Plywood and teachests (1950).	PTB 181

II. PRICE REPORTS

1. Cotton yarn and cloth prices (1948).	PTB 127
2. Paper prices (1948).	PTB 130
3. Fair ex-works prices of superphosphate (1949).	PTB 139
4. Fair retention prices of steel produced by the Tata Iron & Steel Company and the Steel Corporation of Bengal (1949).	PTB 135
5. Ex-works costs of hot metal (Iron for steel making) and fair ex-works prices of pig iron (Basic and foundry grade) (1949).	PTB 137
6. Fair retention prices of steel produced by Mysore Iron & Steel Works, Bhadravati (1949).	PTB 151
7. Fair retention prices of steel produced by the Tata Iron & Steel Company and the Steel Corporation of Bengal (1951).	PTB 205

All the above reports are available with the Manager of Publications, Civil Lines, Delhi, and the Secretary, Indian Tariff Board, Contractor Building, Nicol Road, Ballard Estate, Bombay 1.

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